LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Corrections
Vienna Correctional Center
Two Years Ended June 30, 2006

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REVIEW: 4287
DEPARTMENT OF CORRECTIONS
VIENNA CORRECTIONAL CENTER
TWO YEARS ENDED JUNE 30, 2006

FINDINGS/RECOMMENDATIONS - 13

ACCEPTED - 7
IMPLEMENTED - 6

REPEATED RECOMMENDATIONS - 0

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 0

This review summarizes the audit of the Vienna Correctional Center for the two years ended June 30, 2006, filed with the Legislative Audit Commission June 20, 2007. The auditors performed a limited scope compliance examination in accordance with *Government Auditing Standards* and State law. The auditors also performed certain agreed upon procedures with respect to the accounting records of the Center to assist the audit of the entire Department.

Vienna is a minimum security institution located seven miles east of Vienna, Illinois in Johnson County, adjacent to the Shawnee Correctional Center. The Center's administration is committed toward the instilling of responsibility and mature decision making in its inmates through increasing levels of reasonable freedom. By providing extensive and high quality educational programs, work assignment opportunities, public service, leisure time activities and religious avenues, the Center is expected to go far beyond the provision of the minimum necessities. The Dixon Springs Impact Incarceration Program is to promote lawful behavior in youthful offenders who are incarcerated for the first time.

During the two-year period under review, Mr. Jay Merchant was the Warden from July 1, 2004 through March 31, 2006. The current Warden, Mr. Jody Hathaway became Warden on April 1, 2006.

Selected activity measures include the following:

Measure	FY06	FY05	FY04
Rated Capacity	925	925	925
Average Number of Inmates	1,602	1,564	1,590
Appx Square Foot per Inmate	37	38	38
Cost per Inmate	$17,432	$18,341	$17,181
Average Number of Employees	358	363	353
Ratio Correctional Officers to Inmates	1 to 6.2	1 to 5.9	1 to 5.9
Number of Correctional Officers	260	263	268
Hospital/Medical Costs	$1,950,819	$1,810,326	$1,678,265

Expenditures From Appropriations

The General Assembly appropriated a total of $27,963,000 to the Center for FY06. Appropriations and expenditures for the two years under review are shown in Appendix A. Expenditures were $28,687,042 in FY05 compared to $27,956,760 in FY06, a decrease of $730,282, or 2.5%. The change was due primarily to the State of Illinois decreasing its contribution rate to the State Employees' Retirement System from 16.1% in FY05 to 7.8% in FY06. Lapse period expenditures totaled $1.7 million, or 6.1% of total expenditures in FY06.

Inventories and Property and Equipment

The Center's inventories at June 30, 2006 and 2005 appear in Appendix B. The inventory decreased from $376,757 as of June 30, 2005 to $246,193 as of June 30, 2006.

Appendix C summarizes the changes in property and equipment. The beginning balance as of July 1, 2004 was $55,948,415, compared to an ending balance of $56,702,915 as of June 30, 2006.

Locally Held Funds

The information in Appendix D summarizes the transactions of the Center's locally held funds for the year ended June 30, 2006. The beginning balance was $334,885 compared to an ending balance of $401,446.

Accountants' Findings and Recommendations

Condensed below are the thirteen findings and recommendations presented in the audit report. There were no repeated recommendations. The following recommendations were classified on the basis of updated information provided by Mary Ann Bohlen, Supervisor of Central Accounting, Department of Corrections, in a memo received via electronic mail on February 15, 2008.

Accepted or Implemented

1. Appropriately segregate the duties of receiving cash, writing checks, mailing checks, recording transactions, reconciling transactions and approving transactions.

<u>Findings</u>: The Vienna Correctional Center (Center) did not maintain an adequate segregation of duties over locally held funds. During testing, the auditors noted the following segregation of duties issues:

- The Accountant recorded, wrote and mailed checks, and reconciled transactions for the Resident Commissary Fund, Resident Benefit Fund, Employee Commissary Fund and Employee Benefit Fund.
- An Account Technician I was permitted to receive cash, write checks, sign checks and mail checks for all locally held funds.
- The Office Assistant was permitted to write and mail checks for all locally held funds.
- An Account Technician I recorded and reconciled transactions for all locally held funds.

Center personnel indicated the Center did not have sufficient staff to ensure locally held fund duties were segregated.

Response: Implemented. The facility has separated duties among staff in accordance with Department's policies. The exceptions noted were due to staff turnover and leave vacancies.

2. Update signature cards immediately when a person leaves the Center's employ, and follow other Administrative and Institutional Directives.

Findings: The Center did not maintain adequate controls over locally held fund cash disbursements. During testing, the auditors noted the following inadequate controls:

- A former warden was listed as an authorized signer on the signature card at the bank for the Employee Commissary Fund, Employee Benefit Fund and Resident Commissary Fund.
- The bank signature card indicated only one signature was required on the check for the Resident Commissary Fund and Resident Benefit Fund. However, the Administrative Directive requires two signatures.
- Additionally, 68 out of 91 cash disbursements had been signed by an individual not authorized in accordance with the Department Directives.
- Two telephone transfers were made between the Employee Commissary Fund and the Employee Benefit Fund; however only one individual authorized the transfers.

Center personnel stated the signature cards at the bank were to be updated but there was some confusion as to who was to update these cards. Additionally, Center personnel were unaware the two individuals authorized on the bank's signature card to sign checks were not authorized by Institutional Directive 02.40.901. Center personnel stated the employee making the telephone transfers did not realize this compromised the requirement of two signatures on checks and only one signature on a check and an employee signing another person's name were inadvertent oversights.

Response: Implemented. The facility has revised the institutional directive to more closely align with the Agency Administrative Directive. The facility will require signatures in compliance with the Administrative Directive.

Accepted or Implemented – continued

3. Perform reconciliations over all general ledger accounts.

Findings: General ledger accounts in the locally held funds were not reconciled. During testing, the auditors noted the following:

- Outstanding employee gift certificates were not reconciled to Due from the Employee Benefit Fund - employee of the month general ledger account in the Employee Commissary Fund.
- The change fund general ledger account in the Employee Commissary Fund was not reconciled to actual cash on hand.
- The travel and allowance general ledger account on the Resident Benefit Fund was not reconciled to outstanding travel and allowance invoice vouchers from the General Revenue Fund.
- Imprest travel and allowance cash general ledger account for the Resident Benefit Fund was not reconciled to actual cash on hand.
- Due from Resident Trust Fund for bus tickets for the Resident Benefit Fund was not reconciled to the amount of outstanding bus tickets.
- Net worth transferred general ledger account for the Employee Commissary Fund and Resident Commissary Fund was not being reconciled to net income on the Employee Commissary Fund or the Resident Commissary Fund.

Center personnel stated the reconciliations were not performed due to time constraints, confusion on who was responsible for completing the reconciliation and the fact they were unaware reconciliations should have been completed on all accounts.

Response: Accepted. The facility will make every effort to ensure required reconciliations are completed. The errors noted were due to oversight during employee leave vacancies.

4. Verify payroll vouchers using a person independent of the payroll preparation process.

Findings: The Center payroll vouchers were not independently approved.

Good internal control procedures require the review process to be performed by an individual independent of the preparation process in order to prevent improper expenditures.

Center personnel stated they were unaware this was a poor segregation of duties.

Response: Implemented. The Business Administrator will perform a review of the voucher/report prior to signing as valid.

5. Train the accountant in the preparation of the General Office Reporting Package.

<u>Findings</u>: The General Office Reporting Package for the Employee Commissary Fund was inaccurate. Some of the exceptions were as follows:

- Net worth transferred did not equal net income by $443 at June 30, 2005, resulting in an understatement.
- The FY05 profit transfer, $443, was recorded in Due to Employee Benefit Fund on the fiscal year 2006 General Office Reporting Package. Sixty percent of this profit transfer, $266, should have been recorded in Due to 523 Fund.
- Due to 523 Fund was overstated and Due to Employee Benefit Fund was understated by $3,013 on the FY06 General Office Reporting Package due to transfers not being posted correctly.

Center personnel stated these errors were a result of the Accountant not being properly trained in the preparation of the General Office Reporting Package.

<u>Response</u>: Accepted. The facility will make every effort to ensure that financial reports are presented timely and accurately.

6. Prior to forwarding cash to the Business Office or Control Room, direct an independent employee to prepare the Commissary Shift Report and count the cash.

<u>Findings</u>: Employee Commissary Fund cash is not counted by an independent employee. The cashier in the Business Office prepares the daily sales summary, counts the cash and prepares the cash receipt and deposit ticket. Total cash received was $138,270 and $114,512 for FY06 and FY05, respectively.

Center personnel indicated cash is not counted by an independent employee due to time constraints.

<u>Response</u>: Implemented. The facility has assigned two employees to count the cash collected. Additionally, the facility is in the process of changing the commissary to debit card technology, eliminating cash from the process.

7. Comply with the Administrative Directive and prepare bank reconciliations for each checking account upon receipt of a bank statement and have both the preparer and the Business Administrator sign the bank reconciliation.

<u>Findings</u>: Bank reconciliations were not prepared or approved.

Accepted or Implemented – continued

During a review of bank reconciliations for the locally held funds for the period of July 1, 2004 to June 30, 2006, the auditors noted the March 2005 bank reconciliations for the Employee Commissary Fund and the Employee Benefit fund were not prepared. The December 2004 bank reconciliations for the Employee Commissary Fund, Resident Commissary Fund and the Resident Benefit Fund were not approved by the Business Administrator.

Center personnel stated the March 2005 bank reconciliations were not prepared since the Business Office was lacking an Accountant. Additionally, Center personnel stated approval of the December 2004 bank reconciliations was an inadvertent oversight by the Business Administrator.

Response: Accepted. The facility will make every effort to ensure reconciliations are performed and approved. The errors noted were due to oversight.

8. Properly match vendor invoices to receiving reports and investigate any discrepancies.

Findings: Vendor invoices did not agree to receiving reports for the Employee Commissary Fund. The auditors noted the following errors during our testing:

- A receiving report indicated 2,130 bags of ice had been received when only 230 bags of ice were received.
- A vendor invoice stated 1,680 bottles of water had been received; however, the receiving report indicated no bottles of water had been received.
- A receiving report indicated 1,000 16 ounce lids had been received when 2,000 16 ounce lids had been received.
- A receiving report indicated 120 candy bars had been received when 240 candy bars had been received.

Center personnel stated these errors went undetected due to employees not having enough time to properly match vendor invoices to receiving reports due to a lack of staffing.

Response: Accepted. The facility will make every effort to ensure store receiving reports are complete accurately. The errors noted were due to oversight.

9. Comply with Administrative Directives by recording requisitions into AIMS, conducting physical inventory counts and performing an independent inventory test count.

<u>Findings</u>: The Center ceased recording receiving reports and store requisitions on the AIMS inventory system from February 1, 2005 to May 15, 2005. During this same period, the Center ceased monthly inventory counts in the general store. Additionally, the Center did not conduct an independent inventory test count on the Employee Commissary, Resident Commissary and general stores physical inventory.

Center personnel stated general stores inventory procedures had ceased due to problems with store requisitions not matching inventory items. Additionally, Center personnel indicated there was insufficient time to research these problems. Center personnel indicated the Central Office in Springfield stated the Center would be converting to a new inventory computer system in the near future and all inventory problems would be resolved during conversion. Center personnel also indicated the internal control weakness in the Employee Commissary had been mitigated in the past by an independent person periodically performing a 10% test count of the month end inventory. Due to a lack of staffing, however, the Center elected to cease performing this 10% test count. Center personnel indicated the performance of a 10% test count in the Resident Commissary and general stores had ceased due to insufficient staff being assigned to the Business Office and the general stores.

<u>Response</u>: Accepted. The Center implemented the real time inventory system during the later part of FY05. The system was operational during FY06. Test counts have resumed during FY07.

10. Comply with the Code and review vouchers within the thirty-day time period.

<u>Findings</u>: The Center did not exercise adequate control over voucher processing. During testing, the auditors noted 10 of 52 vouchers tested, totaling $258,948, were approved for payment from 10 to 56 days late. The Center paid $3,161 in interest charges during the two year period ended June 30, 2006.

Center personnel indicated the delays in approving invoice vouchers are attributable to a lack of staff in the Business Office.

<u>Response</u>: Accepted. The Center will make every effort to comply with the requirements as established by the Prompt Pay Act.

11. Comply with the DCMS Personnel Rules regarding employee evaluations.

<u>Findings</u>: The Center did not perform employee evaluations or performed them late. During testing of personnel files, the auditors noted 27 of 105 required evaluations were not prepared. Additionally, 44 of 78 evaluations reviewed were prepared after their due date. These evaluations were performed 2 days to 8 months late.

Accepted or Implemented – concluded

Center personnel indicated employees are performing many tasks due to a lack of staffing and employee evaluations were assigned a low priority.

Response: Accepted. The Center will make every effort to comply with the requirements as established by the Department for employee evaluations.

12. Reorder the English version of the HIV pamphlet when supplies in the visiting room are low.

Findings: During testing, the auditors noted English language HIV pamphlets were not available in the visiting room. The health care unit had the English version of the HIV pamphlet, but not all visitors are allowed in the health care unit.

Center personnel stated they had depleted their supply of the English version of the HIV pamphlet in the visiting room and had failed to reorder the pamphlet.

Response: Implemented. The exception noted was due to timing of the depletion of a current stock supply and receipt of the order of a refill supply.

13. Segregate the recording and approval of invoice vouchers.

Findings: The Business Manager's computer access rights allow her to enter and approve invoice vouchers.

Center personnel indicated they were unaware this was a poor segregation of duties.

Response: Implemented. The exception noted was resolved. The employee access rights have been corrected.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, “The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies “involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make ‘quick purchases’, including but not limited to items available at a discount for a limited period of time.”

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State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY05 and FY06, the Vienna Correctional Center filed three emergency purchases for various repairs to the Center totaling $83,097.00, and one for the purchase of coal totaling $126,248.22.